

State of South Carolina



Office of the State Auditor

1401 MAIN STREET, SUITE 1200
COLUMBIA, S.C. 29201

THOMAS L. WAGNER, JR., CPA
STATE AUDITOR

(803) 253-4160
FAX (803) 343-0723

June 9, 2003

Mr. Parke Horton, Secretary Treasurer
Lutheran Homes of South Carolina, Inc.
300 Ministry Drive
Irmo, South Carolina 29063

Re: AC# 3-LMN-J9 – South Carolina Synod, Lutheran Church in America, Inc.
d/b/a Lowman Home, Inc.

Dear Mr. Horton:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period October 1, 1998 through September 30, 1999. That report was used to set the rate covering the contract period beginning September 1, 2000.

We are recommending that the Department of Health and Human Services certify an accounts receivable to recover amounts due as a result of the rate change shown on Exhibit A. You will be notified of repayment terms by that Agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976 as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.

A handwritten signature in black ink, appearing to read "James McLean for".

Thomas L. Wagner, Jr., CPA
State Auditor

TLWjr/cwc

cc: Ms. Brenda L. Hyleman
Mr. Jeff Saxon
Mr. Joseph P. Hayes

**SOUTH CAROLINA SYNOD,
LUTHERAN CHURCH IN AMERICA, INC.
D/B/A LOWMAN HOME, INC.**

WHITE ROCK, SOUTH CAROLINA

**CONTRACT PERIOD
BEGINNING OCTOBER 1, 2000
AC# 3-LMN-J9**

**AGREED-UPON PROCEDURES REPORT
ON CONTRACT
FOR
PURCHASE OF NURSING CARE SERVICES
WITH
STATE OF SOUTH CAROLINA
DEPARTMENT OF HEALTH AND HUMAN SERVICES**

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

May 20, 2002

Department of Health and Human Services
State of South Carolina
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with South Carolina Synod, Lutheran Church in America, Inc. d/b/a Lowman Home, Inc., for the contract period beginning October 1, 2000, and for the twelve month cost report period ended September 30, 1999, as set forth in the accompanying schedules. The management of South Carolina Synod, Lutheran Church in America, Inc. d/b/a Lowman Home, Inc. is responsible for the Financial and Statistical Report for Nursing Homes and supporting accounting and statistical records. This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

1. We tested selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by South Carolina Synod, Lutheran Church in America, Inc. d/b/a Lowman Home, Inc., to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the provider. Our findings as a result of these procedures are presented in the Adjustment Report, Summary of Costs and Total Patient Days, and Cost of Capital Reimbursement Analysis sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the Department of Health and Human Services and South Carolina Synod, Lutheran Church in America, Inc. d/b/a Lowman Home, Inc. dated as of October 1, 1994 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computation of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services
State of South Carolina
May 20, 2002

These agreed-upon procedures do not constitute an audit of financial statements or any part thereof, the objective of which is the expression of an opinion on the financial statements or a part thereof. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.

A handwritten signature in black ink, appearing to read "James McLam Jr", is written over the printed name.

Thomas L. Wagner, Jr., CPA
State Auditor

SOUTH CAROLINA SYNOD, LUTHERAN CHURCH IN AMERICA, INC.
D/B/A LOWMAN HOME, INC.

Computation of Rate Change
For the Contract Period
Beginning October 1, 2000
AC# 3-LMN-J9

	10/01/00- <u>09/30/01</u>
Interim Reimbursement Rate (1)	\$108.51
Adjusted Reimbursement Rate	<u>103.20</u>
Decrease in Reimbursement Rate	\$ <u><u>5.31</u></u>

(1) Interim reimbursement rate from the State Health and Human
Services Computation of Reimbursement Rate dated August 2,
2001

**SOUTH CAROLINA SYNOD, LUTHERAN CHURCH IN AMERICA, INC.
D/B/A LOWMAN HOME, INC.**

Computation of Adjusted Reimbursement Rate
For the Contract Period October 1, 2000 Through September 30, 2001
AC# 3-LMN-J9

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$48.87	\$54.01	
Dietary		8.60	10.12	
Laundry/Housekeeping/Maintenance		<u>10.26</u>	<u>8.88</u>	
Subtotal	\$ <u>5.11</u>	67.73	73.01	\$ 67.73
Administration & Medical Records	\$ <u>-</u>	<u>18.28</u>	<u>10.55</u>	<u>10.55</u>
Subtotal		86.01	<u>\$83.56</u>	78.28
<u>Costs Not Subject to Standards:</u>				
Utilities		4.04		4.04
Special Services		.30		.30
Medical Supplies & Oxygen		4.16		4.16
Taxes and Insurance		.52		.52
Legal Fees		<u>-</u>		<u>-</u>
TOTAL		<u>\$95.03</u>		87.30
Inflation Factor (3.20%)				2.79
Cost of Capital				8.11
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				-
Cost Incentive				5.11
Effect of \$1.75 Cap on Cost/Profit Incentives				(3.36)
Nurse Aide Staffing Add-On 10/01/2000				1.91
Nurse Aide Staffing Add-On 10/01/1999				<u>1.34</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$103.20</u>

**SOUTH CAROLINA SYNOD, LUTHERAN CHURCH IN AMERICA, INC.
D/B/A LOWMAN HOME, INC.**

Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 1999
AC# 3-LMN-J9

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
General Services	\$2,975,880	\$ 34,545 (1) 3,191 (1)	\$	\$3,013,616
Dietary	822,979	4,848 (1)	297,266 (6)	530,561
Laundry	150,168	1,848 (1) 20,583 (5)	25,889 (6)	146,710
Housekeeping	335,474	3,369 (1)	10,990 (6)	327,853
Maintenance	162,534	903 (1) 431 (5)	5,888 (6)	157,980
Administration & Medical Records	1,186,233	3,431 (1) 301 (1) 4,443 (5)	66,924 (6)	1,127,484
Utilities	257,181	670 (5)	8,809 (6)	249,042
Special Services	18,302	1,114 (1) 22,809 (2)	23,880 (3)	18,345
Medical Supplies & Oxygen	278,782	555 (1)	22,809 (2)	256,528
Taxes and Insurance	32,725	68 (5)	920 (6)	31,873
Legal Fees	-	-	-	-

SOUTH CAROLINA SYNOD, LUTHERAN CHURCH IN AMERICA, INC.
D/B/A LOWMAN HOME, INC.

Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 1999
AC# 3-LMN-J9

<u>Expenses</u>	Totals (From Schedule SC 13) as Adjusted by DH&HS	Adjustments		Adjusted Totals
		<u>Debit</u>	<u>Credit</u>	
Cost of Capital	568,928	539 (5) 2,219 (7)	46,701 (4) 3,033 (4) 21,762 (6)	500,190
Subtotal	6,789,186	105,867	534,871	6,360,182
Ancillary	235,115	322 (1)	-	235,437
Non-Allowable	166,235	23,880 (3) 49,734 (4) 438,448 (6)	54,427 (1) 26,734 (5) 2,219 (7)	594,917
Total Operating Expenses	<u>\$7,190,536</u>	<u>\$618,251</u>	<u>\$618,251</u>	<u>\$7,190,536</u>
Total Patient Days	<u>61,670</u>	<u>-</u>	<u>-</u>	<u>61,670</u>
Total Beds	<u>176</u>			

**SOUTH CAROLINA SYNOD, LUTHERAN CHURCH IN AMERICA, INC.
D/B/A LOWMAN HOME, INC.**

Adjustment Report
Cost Report Period Ended September 30, 1999
AC# 3-LMN-J9

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Nursing	\$ 34,545	
	Restorative	3,191	
	Dietary	4,848	
	Laundry	1,848	
	Housekeeping	3,369	
	Maintenance	903	
	Administration	3,431	
	Medical Records	301	
	Medical Supplies & Oxygen	555	
	Special Services	1,114	
	Ancillary	322	
	Nonallowable		\$ 54,427
	To adjust allocation of fringe benefits State Plan, Attachment 4.19D		
2	Special Services	22,809	
	Medical Supplies & Oxygen		22,809
	To reclass expense to proper cost center State Plan, Attachment 4.19D		
3	Nonallowable	23,880	
	Special Services		23,880
	To remove special (ancillary) services reimbursed by Medicare State Plan, Attachment 4.19D		
4	Nonallowable	49,734	
	Fixed Assets	478,660	
	Cost of Capital - Amortization		46,701
	Cost of Capital - Depreciation		3,033
	Accumulated Depreciation		17,130
	Other Equity		461,530
	To adjust fixed assets and adjust cost of capital due to Cost of Capital policy effective 07/01/89 State Plan, Attachment 4.19D		

**SOUTH CAROLINA SYNOD, LUTHERAN CHURCH IN AMERICA, INC.
D/B/A LOWMAN HOME, INC.**

Adjustment Report
Cost Report Period Ended September 30, 1999
AC# 3-LMN-J9

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
5	Cost of Capital	539	
	Taxes and Insurance	68	
	Administration	4,443	
	Maintenance	431	
	Utilities	670	
	Laundry	20,583	
	Nonallowable		26,734
	To reverse DH&HS adjustment to remove indirect costs applicable to non-reimbursable cost centers State Plan, Attachment 4.19D		
6	Nonallowable	438,448	
	Cost of Capital		21,762
	Taxes and Insurance		920
	Administration		66,924
	Maintenance		5,888
	Utilities		8,809
	Laundry		25,889
	Housekeeping		10,990
	Dietary		297,266
	To remove indirect costs applicable to non-reimbursable cost centers State Plan, Attachment 4.19D		
7	Cost of Capital	2,219	
	Nonallowable		2,219
	To adjust capital return to allowable State Plan, Attachment 4.19D		
		<hr/>	<hr/>
	TOTAL ADJUSTMENTS	\$1,096,911	\$1,096,911

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

**SOUTH CAROLINA SYNOD, LUTHERAN CHURCH IN AMERICA, INC.
D/B/A LOWMAN HOME, INC.**

Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 1999
AC# 3-LMN-J9

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>2.3156</u>
Deemed Asset Value (Per Bed)	36,165
Number of Beds	<u>176</u>
Deemed Asset Value	6,365,040
Improvements Since 1981	474,731
Accumulated Depreciation at 9/30/99	<u>(1,287,673)</u>
Deemed Depreciated Value	5,552,098
Market Rate of Return	<u>.060</u>
Total Annual Return	333,126
Return Applicable to Non-Reimbursable Cost Centers	(9,347)
Allocation of Interest to Non-Reimbursable Cost Centers	<u>15,233</u>
Allowable Annual Return	339,012
Depreciation Expense	179,837
Amortization Expense	12,253
Capital Related Income Offsets	(9,150)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>(21,762)</u>
Allowable Cost of Capital Expense	500,190
Total Patient Days (Minimum 96% Occupancy)	<u>61,670</u>
Cost of Capital Per Diem	\$ <u><u>8.11</u></u>

SOUTH CAROLINA SYNOD, LUTHERAN CHURCH IN AMERICA, INC.
D/B/A LOWMAN HOME, INC.

Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 1999
AC# 3-LMN-J9

6/30/89 Cost of Capital and Return on Equity	
Capital Per Diem Reimbursement	\$ N/A
Adjustment for Maximum Increase	<u>N/A</u>
Maximum Cost of Capital Per Diem	\$ <u>8.11</u>
Reimbursable Cost of Capital Per Diem	\$8.11
Cost of Capital Per Diem	<u>8.11</u>
Cost of Capital Per Diem Limitation	\$ <u>-</u>

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